

## Message Text

CONFIDENTIAL

PAGE 01 QUITO 01975 202311Z

17

ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-06 NEA-09 ISO-00 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03

FEA-01 PA-01 PRS-01 USIA-06 /123 W

----- 026852

R 202221Z MAR 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 4884

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMCONSUL GUAYAQUIL

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

C O N F I D E N T I A L QUITO 1975

E.O. 11652: GDS

TAGS: ENRG, EINV, EC

SUBJ: PETROLEUM: TEXACO-GULF OFFICIALS CALL ON PRESIDENT RODRIGUEZ

REF: QUITO 1372 (NOTAL)

1. SUMMARY: JOHN MCKINLEY, PRESIDENT OF TEXACO AND TOM LUMPKIN, PRESIDENT OF GULF LATIN AMERICA HELD 80 MINUTE MEETING WITH PRESIDENT RODIRGUEZ LARA MARCH 19 TO DISCUSS THREE OUT-STANDING ISSUES REGARDING TEXACO-GULF ECUADOREAN OPERATIONS:  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 QUITO 01975 202311Z

OVER-RETENTION OF OAXES FROM CASH FLOW SYSTEM, PRICING, AND THE

UNPAID CEPE DEBT. AFTER MEETING, MCKINLEY TOLD AMBASSADOR THAT MEETING WAS CORDIAL, DEVOID OF SENSE OF CONFRONTATION AND MILDLY ENCOURAGING. RESULTS, HOWEVER, WILL NOT BE FULLY KNOWN FOR SEVERAL WEEKS. END SUMMARY.

2. SHIELDS OF TEXACO AND WYCHE OF GULF CALLED ON AMBASSADOR AND DCM AFTERNOON OF MARCH 19, TO INFORM HIM THAT TEXACO PRESIDENT MCKINLEY AND GULF L.A. PRESIDENT LUMPKIN WERE AT THAT VERY MOMENT CALLING ON PRESIDENT RODRIGUEZ LARA. THIS IS THE FIRST INTERVIEW WITH THE PRESIDENT THAT THE OIL COMPANIES HAD SOUGHT SINCE 1972. AT THAT TIME, SHIELDS SAID, THE PRESIDENT HAD BEEN VERY HELPFUL IN PROMOTING THE RESOLUTION OF A DIFFICULT FINANCIAL PROBLEM BETWEEN THE OPERATING COMPANIES AND THE GOE.

3. THE PRESENT INTERVIEW WAS AIMED AT GIVING THE TEXACO PRESIDENT THE OPPORTUNITY TO RAISE THREE ISSUES WITH RODRIGUEZ LARA.

A. THE PROBLEM OF OVER-RETENTION OF INCOME AND OTHER TAXES IN THE CASH FLOW SYSTEM. TEXACO AND GULF BELIEVE THAT THE GOE HAS OVER-RETAINED MORE THAN \$19 MILLION FROM THIS ACCOUNT. (THIS IS THE GOE ACCOUNT IN NEW YORK TO WHICH TEXACO AND GULF DEPOSIT THE TAX REFERENCE VALUE OF \$13.90 PER BARREL OF EACH BARREL THAT THEY LIFT FROM ECUADOR. SEE QUITO 1372.

B. THE UNRESOLVED ISSUE OF TAX-PAID BASE. THIS ISSUE HAS BEEN IN THE AIR SINCE JANUARY 1, 1975. ECUADOR HAS NOT YET RESOLVED HOW IT WILL ORGANIZE A TAX-PAID BASE OF \$10.14 A BARREL OR WHAT ADDITIONAL TAXES OR OTHER CHARGES IT MAY ADD ON TO THIS FIGURE. IF THESE ADDITIONAL CHARGES REMAIN AT THEIR PRESENT LEVELS, SHIELDS SAID, TEXACO AND GULF CANNOT MAKE ANY PROFIT FROM THEIR ECUADOREAN OPERATIONS.

C. THE ISSUE OF THE UNPAID CEPE DEBT FOR ITS SHARE OF THE INVESTMENT IN ECUADOR. CEPE IS STILL BEHIND IN PAYMENTS FOR CURRENT OPERATING COSTS. ACCORDING TO WYCHE, THIS AMOUNTS TO APPROXIMATELY \$39 MILLION IF ECUADOR DECIDES NOT TO PARTICIPATE IN PIPELINE INVESTMENT AND BETWEEN \$50 AND \$60 MILLION IF IT DOES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 QUITO 01975 202311Z

4. SHIELDS SAID THAT CEPE HAD LOOSENED UP SLIGHTLY AND IS BEGINNING TO PAY MORE NEARLY CURRENTLY ITS SHARE OF THE OPERATING COSTS OF THE CONSORTIUM. WITH RESPECT TO THE MEETING ON MARCH 19, HE EXPECTS THAT TEXACO AND GULF WILL NOT KNOW WHAT REAL RESULTS HAVE BEEN ACCOMPLISHED FOR AT LEAST A COUPLE OF WEEKS. FROM PRESIDENT RODRIGUEZ'S PAST PERFORMANCE AND THE CREDIBILITY OF THE TEXACO-GULF CASE, HE HAD HOPES THAT THE OUTCOME WOULD BE FAVORABLE TO

THEM.

5. EVENING MARCH 19, AFTER THE INTERVIEW WITH RODRIGUEZ, AMBASSADOR HAD OPPORTUNITY MEET WITH MCKINLEY AND LUMPKIN. THEY DESCRIBED MEETING AS ENTIRELY CORDIAL. TO PRESIDENT'S QUESTION AS TO WHY TEXACO-GULF WERE NOT INCREASING THEIR INVESTMENT IN EXPLORATION, THEY REPLIED THAT THEY WERE, AFTER ALL, IN ECUADOR TO MAKE MONEY, AND THE CONDITIONS AT PRESENT LEFT THEM WITH DIFFICULT UNCERTAINTIES.

6. ALTHOUGH, OF COURSE, THIS MEETING SOLVED NO PROBLEMS DIRECTLY, MCKINLEY AND LUMPKIN WERE MILDLY ENCOURAGED THAT PROGRESS CAN NOW BE MADE ON MOST OF THE OUTSTANDING ISSUES.

7. GOE TOOK UNUSUAL STEP OF PUBLICIZING MEETING. PRESS RELEASE NOTED THAT VISITORS ASKED THAT PRICE OF ECUADOREAN CRUDE BE MAINTAINED AT A LEVEL COMPETITIVE WITH THAT OF THE REST OF THE WORLD, AND THAT THEY EXPRESSED THEIR HOPE FOR REASONABLE PRICES SO THAT THEY COULD CONTINUE THEIR OPERATIONS OFFERED TO WORK WITH ECUADOREAN OFFICIALS TO FIND SOLUTIONS TO THE SITUATION. RELEASE QUOTED PRESIDENT AS SAYING THAT GOE IS ALWAYS PREPARED TO LISTEN AND FACE UP TO PROBLEMS AND TO FIND SOLUTIONS BASED ON JUSTICE, REASON, AND EQUITY. HE STATED INTEREST IN CRUDE SALES AT PRICES THAT RETURN EQUITABLE EARNINGS FOR ECUADOR AND THE COMPANIES. BUT HE WARNED THAT COMPANIES CANNOT EARN AS MUCH AS BEFORE BECAUSE THE WORLD SITUATION HAS CHANGED. FINALLY, HE IS REPORTED TO HAVE AFFIRMED THAT THE GOE WILL STUDY THE SITUATION BUT THAT THE COMPANIES WILL HAVE TO COMPLY WITH THE GOVERNMENT'S DECISIONS.  
BREWSTER

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM INDUSTRY, DIPLOMATIC DISCUSSIONS, DEBT REPAYMENTS, PRICES, TAXES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975QUITO01975  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750099-0037  
**From:** QUITO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750332/aaaabcnj.tel  
**Line Count:** 146  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 QUITO 1372  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 APR 2003 by ShawDG>; APPROVED <14 APR 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PETROLEUM: TEXACO-GULF OFFICIALS CALL ON PRESIDENT RODRIGUEZ  
**TAGS:** ENRG, EINV, EC, TEXACO, GULF, (MCKINLEY, JOHN), (LUMPKIN, TOM), (RODRIGUEZ LARA, GUILLERMO A)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006